

APPROVED:

DATE:

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**Objective E: To test the adequacy of the building division's internal controls with respect to permit issuance, cash handling and valuation of commercial, industrial and multi-use structures.**

**E-2 Sub Objective: To evaluate and assess the internal controls related to the cash handling process**

**E 2.1** Obtain written policies and procedures regarding cash handling followed by the Dept. Obtain if possible City of San Jose guidelines or other guidelines on cash handling procedures.

**NOT STARTED**

**E-2.2** Interview with and if necessary observe the account clerks to get a more detailed understanding of the cash handling and cash reconciliation process. Also observe the new online permit system and its payment process.

- Prepare flowchart of cash handling process

If exceptions are noted, interview appropriate staff and determine the cause of the exceptions.

**NOT STARTED**

**E-2.3** Follow up on prior internal audit reports dealing with cash handling issues

**NOT STARTED**

**E 2.4** Observe the reconciliation process of the Division. Verify that there is separation of duties during the reconciliation process. Determine the extent of verification conducted by the Division to test for accuracy

- Select a sample of transactions over \$10,000 in the year 2000 to verify that deposits for these amounts have been made in a timely manner and according to City of San Jose procedures and policies. Ensure that there is separation of duties between this process and the cash collection and cash reconciliation process.

## **NOT STARTED**

**E-2.5** Select a random sample of cash transactions conducted for a selected period of time including cash receipts processed and deposits made to ensure that the following cash handling processes are followed.

- responsibilities for cash receipt functions are segregated from those of cash disbursement
- responsibilities for billing, collecting, depositing and accounting for receipts are performed by different individuals
- responsibilities for preparing and approving bank account reconciliations are segregated from other cash receipt or disbursement functions
- someone independent of processing and recording cash receipts follows-up on checks returned for insufficient funds.
- division personnel complied with City guidelines regarding cashiering transactions
- division personnel accurately processed voided transactions
- division had adequate controls to prevent misappropriation of monies.

If exceptions are noted, interview appropriate staff and determine the cause of exceptions.

## **NOT STARTED**

**E-2.6** Observe and interview Division personnel to test whether permits could be issued without payment and the probability of cashier error in permit issuance. (T1-3, C1-7)

If exceptions are noted, interview appropriate staff and determine the cause of exceptions.

## **NOT STARTED**

**E 2.7** Obtain statistics on the volume of transactions, the amount of money that the Division processes per year and per day.

**NOT STARTED**

**E-2.8** Summarize sub-objective results:

- Key limitations of current process;
- Overall assessment and/or conclusion;
- Audit issues and/or findings;
- If information comes to auditor's attention indicating that abuse or illegal acts may have occurred, the Auditor-in Charge will immediately notify the City Auditor and the Supervising Auditor. Audit steps will be extended as necessary and the auditor should determine the extent to which these acts significantly affect the audit results. (*Audit standards FWS 3A and 3B*).

**NOT STARTED**

**E-3 Sub Objective: To evaluate and assess the internal controls related to the refund process**

**E-3.1** Obtain policies and procedures on the refunds process

**NOT STARTED**

**E-3.2** Determine the number of refunds issued by the Division in any given year.

- Obtain statistics for 2-3 years in order to document magnitude of the issue

**NOT STARTED**

**E-3.3** Obtain an appropriate sample of refund applications and checks to verify the following

- Verify that the division analyst has approved all refund requests
- Ensure that there is enough documentation in the refund applications  
Procedures and policies currently in place have been followed in issuing refunds
- Verify that the permit center manager has approved all refund applications over \$10,000

## NOT STARTED

### E-3.5 Summarize sub-objective results:

- Key limitations of current process;
- Overall assessment and/or conclusion;
- Audit issues and/or findings;
- If information comes to auditor's attention indicating that abuse or illegal acts may have occurred, the Auditor-in Charge will immediately notify the City Auditor and the Supervising Auditor. Audit steps will be extended as necessary and the auditor should determine the extent to which these acts significantly affect the audit results. (*Audit standards FWS 3A and 3B*).

## NOT STARTED